

Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 04407 272256Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----272258Z 097391 /61
O 272247Z MAY 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 3612

C O N F I D E N T I A L OTTAWA 04407

EXDIS

STADIS//////////

E.O. 11652: GDS
TAGS: ENRG, CA
SUBJECT: NATURAL GAS PRICE INCREASE

REF: (A) STATE 121548; (B) OTTAWA 4333

1. AMBASSADOR SPOKE WITH ENERGY, MINES AND RESOURCES
MINISTER GILLESPIE BY PHONE MAY 27. HE MADE ALL POINTS
IN REFTTEL A AND CLOSED BY SAYING QUESTION OF
DISCRIMINATION WAS PARTICULARLY IMPORTANT FROM BOTH
POLITICAL AND TRADE POLICY STANDPOINT. USG WANTS NO
WIDENING OF PRICE GAP AND IN FACT CONSIDERS THAT GAP
SHOULD BE CLOSED. AMBASSADOR SAID WE HOPE GOC WILL BE
WILLING TO KEEP CONSULTATIONS OPEN UNTIL WE KNOW GOC
DECISION ON DOMESTIC GAS PRICE.

2. IN RESPONSE GILLESPIE SAID:

A. SINCE NEB IS USING NEW RATIONALE TO JUSTIFY ITS EXPORT
PRICE RECOMMENDATIONS AND GOC HAS NOT BEEN INVOLVED IN
DEVELOPMENT OF THIS RATIONALE, GOC WILL HAVE TO REVIEW
IT CAREFULLY AND CONSIDERS IT VERY IMPORTANT TO HAVE
FULL CONSULTATIONS WITH USG.

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B. HE RECOGNIZES POLITICAL PROBLEM CREATED BY
DISCRIMINATION BUT IF THIS ISSUE WERE PRESSED HE WOULD
ARGUE THAT ENTIRE GAS PRICE STRUCTURE IS BASED ON DISCRIMI-
NATION (E.G. INTERSTATE VS. INTRASTATE PRICES, ETC.)

C. HE CAN ASSURE US THAT THERE WILL BE NO DECISION ON

EXPORT GAS PRICE FOR AT LEAST TWO WEEKS. HE TAKES NOTE OF REQUEST THAT CONSULTATIONS BE KEPT OPEN UNTIL AFTER DOMESTIC GAS PRICE FIXED BUT CANNOT GIVE COMMITMENT AT THIS TIME. DOMESTIC PRICE DECISION COULD BE DELAYED SEVERAL WEEKS. GILLESPIE UNDERSTANDS WHY WE TAKE POSITION WE DO AND WILL FOCUS ON IT AFTER RETURN FROM CIEC MEETING IN PARIS.

3. COMMENT: AMBASSADOR WILL MAKE ANOTHER APPROACH TO GILLESPIE AFTER PROPOSED CONSULTATIONS TAKE PLACE. IF AT THAT TIME OUR EFFORTS APPEAR UNSUCCESSFUL, EMBASSY WILL SUGGEST THAT SCHLESINGER TELEPHONE GILLESPIE. ENDERS

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Message Attributes

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